



WESTERN
ILLINOIS
UNIVERSITY

THE WESTERN ILLINOIS UNIVERSITY PLANNER

Ideas on Financial, Gift, and Estate Planning

Expect the Unexpected

No doubt you have heard the expression “Expect the unexpected” many times. Even though we are always taught to be ready for anything life tosses our way, sometimes we are still not ready!

Last fall, I received a call from an attorney in Peoria. One of her clients was a 1932 graduate of Macomb High School and a 1936 graduate of Western. His name was Maurice Peterson, and he was 92 years old. Maurice was having vision problems and was scheduled to have surgery to try and correct the problem. He wanted to make the trip to see Macomb and Western one more time before the surgery.

It was a cool and rainy day when I picked up Maurice at his senior-living home near Richwoods High School in Peoria. He was dressed for the weather in his top hat and trench coat that covered his suit and tie, and he relied heavily on his cane as he made his way to greet me. I knew immediately that he was a favorite at his home by the number of people wishing him a good trip to Macomb.

I learned much on our car ride to Macomb. His mother was a Western graduate and was instrumental in selecting purple and gold as our school colors. He met his wife when she was attending summer school at Western,

and they were married for nearly 70 years before she passed away less than a year earlier after a battle with Alzheimer’s. After graduating from Western and getting married, he taught briefly in Morris, Illinois, before moving to the East Coast where he worked until retirement. They stayed on the East Coast until moving back to Illinois about five years ago.

We arrived in Macomb about 11:00 a.m. and took a quick tour of Western by car. Of course, the north campus was very new to him, and I could see him take much more interest in the campus as we worked our way around to Sherman Hall. We met Associate Provost Barb Bailey, a classmate of Maurice’s attorney, for lunch and then headed out for a tour of Macomb. He pointed out what stores used to be on the square 70 years ago, where the hospitals were, and which schools he attended. As we drove by the train depot, he spoke warmly of how his father was first hired there to sell tickets for the trains going through Macomb and how on cold, winter days he would stop by the depot while walking to school to get warmed up and see his father. Once he was warmed up it was time to head down Adams Street, through the ravine, and into Sherman Hall for classes.

We headed to East Calhoun Street to find his boyhood home. When we arrived, he got out of the car and stood quietly in front of the house. I can only imagine the thoughts going through his head. He asked me if I would knock on the door to ask if we could go behind the house and take a look. I did, and much to my pleasant surprise, I knew the owner and when I explained the situation to him he invited us in so that Maurice could take a look inside the home. We then went to the back yard where Maurice pointed out that the shed where he had kept his horse was still standing, the tree that he climbed

Continued on page 4

I • N • S • I • D • E

CHARITABLE BEQUESTS: GIVING WITH A WILL

RECEIVE A DEDUCTION FOR THE
FULL VALUE OF YOUR BEQUEST

PROVIDE A GIFT TO FURTHER
OUR WORK AND ESTABLISH A
STREAM OF INCOME

QUALIFY FOR SPECIAL TAX
CONSIDERATION WITH A UNITRUST
OR AN ANNUITY TRUST

SEND FOR OUR FREE BOOKLET,
*PLANNING YOUR WILL FOR
ALL IT’S WORTH.*

Charitable Bequests: Giving with a Will

Many of our friends would like to make a significant gift to the WIU Foundation but feel that their generosity must be tempered by financial responsibility for themselves and their loved ones. They hesitate to part today with assets that may be needed tomorrow to meet personal or family obligations. Some, however, have discovered that under their wills it is possible to help us without neglecting other obligations.

Perhaps you, too, find yourself torn between generosity and responsibility. If so, consider the various ways that you can make a charitable bequest to help ensure that our work will continue.

OUTRIGHT BEQUESTS

When you think of making a gift to charity under your will, the outright bequest usually comes to mind first. With such a bequest, you simply direct in your will that your entire interest in certain money or property be transferred to a designated charity, such as the WIU Foundation. Of course, your estate will be entitled to a charitable deduction for the *full fair-market value* of your gift.

An outright bequest can take various forms. The following provides a brief description of several types of bequests.

- **General bequests.** This is probably the most popular type of charitable bequest. With this type you simply leave a specified dollar amount (e.g., \$10,000) to the designated charity.

- **Specific bequests.** A specific bequest is another popular way to benefit a charity. With such a bequest, you designate specific property (e.g., a vacation home) that you want a charity to receive.

An outright bequest is the simplest way to give via a will.

- **Residuary bequests.** A residuary bequest is used to give a charity all—or a portion of—one's property after all debts, taxes,

expenses, and all other bequests have been paid. It may augment a general or specific bequest to the charity if the size of the estate allows—after ensuring that other beneficiaries receive their bequests prior to distribution to the charity.

- **Percentage bequests.** A bequest can also be expressed as a percentage of an estate or residuary estate. If fortune changes the size of the estate, this bequest will change in the same proportion.

- **Contingent bequests.** It is important to provide for the situation when a beneficiary dies before you or disclaims the property. To prepare for such an occurrence, consider naming a charity as the contingent beneficiary.

PROVIDING INCOME FOR A BENEFICIARY

Your financial responsibilities can easily extend beyond your lifetime. Continuing income may be needed to provide for those who count on you for help. In such a situation, an outright bequest to a charity may not best meet your needs.

However, the WIU Foundation offers a number of plans that can both provide a gift to further our work *and* make a stream of payments for life (or, with some plans, for a term of years) to one or more selected beneficiaries.

Planning pointer: You can arrange a charitable bequest to accomplish both goals by directing that the bequest be used to establish a *testamentary charitable remainder trust* or a *gift annuity*.

Testamentary Charitable Remainder Trusts

Basically, under a trust, you transfer property to a trustee to be held for the benefit of specified beneficiaries while the trust lasts. Commonly, the benefit received is the payout from the trust. When the trust ends, the remaining trust property passes to another beneficiary.

A distinguishing feature of the charitable remainder trust is that the amount distributed at its termination—the *remainder* in legal parlance—is paid to a charitable beneficiary. To qualify for special tax consideration, the trust must be in one of two forms: a *unitrust* or an *annuity trust*.

Unitrusts. The primary feature of the charitable remainder unitrust is that it provides for payment to the beneficiary(ies) of an amount that may vary. The payment must equal *a fixed percentage* (at least 5%) of the net fair-market value of the trust assets as valued annually and must be made at least annually.

Note: The variable nature of the unitrust payments may provide your beneficiary with a hedge against inflation—assuming the assets grow in value.

Annuity trusts. While the annuity trust shares many features with the unitrust, the major difference is that the annuity trust provides for *a fixed payout*. This amount must equal a specified amount of not less than 5% of the initial fair-market value of the gift in the trust. The fixed-payout feature of the annuity trust may make it particularly suitable for a beneficiary who needs the security of a specific amount of income.

Charitable estate-tax deduction. If you establish a testamentary charitable remainder trust, your estate will be entitled to a *charitable deduction* equal to the present value—as of the date of death—of the remainder interest that will pass to the charity. In addition, if your surviving spouse is the only noncharitable

beneficiary of the trust, your estate will also be allowed a *marital deduction* for the value of the spouse's payment interest.

Example: *Mr. M's will directs that \$200,000 be placed in a charitable remainder unitrust with the WIU Foundation for his wife. Upon Mrs. M's death, the trust principal will pass to us. Under this arrangement, Mr. M's estate will be allowed a marital estate-tax deduction for the value of Mrs. M's income interest and a charitable deduction for the value of the remainder interest. At Mrs. M's death, the full value of the unitrust will pass to us, free of federal estate tax.*

IMPACT OF THE FEDERAL ESTATE TAX

Fewer and fewer estates will be affected by the federal estate tax for the rest of this decade as the exemption-equivalent amount climbs to \$3.5 million in 2009 (see chart). The tax is repealed for the year 2010—but it will be back in 2011 in full force with an exemption of \$1,000,000 unless repeal or higher exemption amounts are reenacted at that time.

The uncertainties surrounding the eventual fate of the estate tax and even the exemption amount in the intervening years will require your constant vigilance to avoid getting trapped in an unforeseen situation.

If you have a moderate-to-sizeable estate, your estate plans will require periodic reviews with your

attorney and other advisors as the phase-in schedules of the recent tax act of 2001 unfold.

Rate and Exemption Schedule		
Calendar Year	Exemption	Highest Tax Rate
2002	\$1 Million	50%
2003	\$1 Million	49%
2004	\$1.5 Million	48%
2005	\$1.5 Million	47%
2006	\$2 Million	46%
2007	\$2 Million	45%
2008	\$2 Million	45%
2009	\$3.5 Million	45%
2010	Estate Tax Repealed	
2011	\$1 Million	55%

Testamentary Gift Annuity

Another option to provide help for both loved ones and our work is the *testamentary charitable gift annuity*. A gift annuity with the WIU Foundation is a combination of a gift and a purchase under which, in exchange for a transfer of cash or property, we will contractually guarantee to pay a specified annuity to one or two beneficiaries for life.

Charitable estate-tax deduction. If you create a gift annuity under your will to help a loved one and the WIU Foundation, your estate will be able to claim a charitable deduction for the value of the gift portion of the arrangement.

IT BEGINS WITH YOUR WILL

We have discussed a number of ways that permit you to make a significant gift to the WIU Foundation without jeopardizing your ability to meet current and future obligations. These options all have one thing in common—you need a will to implement them. The will is the foundation of testamentary charitable planning; indeed, it is the basis of estate planning in general.

If you would like more information about how to use your will to accomplish charitable and family objectives, please send for a complimentary copy of our booklet, ***Planning Your Will for All It's Worth.***

You should consult your attorney about the applicability to your own situation of the legal principles contained herein.

Expect the Unexpected *Continued from page 1*

as a boy was much bigger, and the window through which the coal was delivered to the basement was still there.

From there we headed to the cemetery to find the graves of his parents and grandparents. We had just about given up when Maurice spotted them on our way out of the cemetery—next to what used to be the number-three green on the old Country Club Golf Course layout.

Maurice Peterson gave back to WIU through a bequest in his will supporting the chemistry department.

Our next stop was to meet Dr. Vivian Incera, the interim chairperson of the chemistry department, before moving on to meet President Goldfarb. As we walked into

Currens Hall, Maurice stopped for some time in front of the portrait of Dr. Currens. He explained to me that Dr. Currens was his inspiration to pursue a major and career in chemistry. Since we were a little early for our appointment, he had time to tell me some stories of his encounters with President Morgan, Rock Hanson, Dr. Wetzel, and many other legends of Western who have long since passed on but whose names will always be prominent in the annals of the history of Western. I looked forward to hearing more stories about his time in Macomb and at Western later that day and at dinner that evening.

Dr. Incera was gracious and sincere during our visit. I could see Maurice was really enjoying his visit, and I guessed that it had probably been some time since he was really able to have a spirited discussion about chemistry. Just as he started in with another question, he stopped mid-sentence and began to slump over in his chair. We were able to lay Maurice on the floor and call 911. The emergency personnel arrived quickly, and soon Maurice was on his way to the hospital in the ambulance.

Barb Bailey and I rushed to the hospital to meet him only to be given the sad news that Maurice had passed away in the ambulance. As we sat in the emergency room and pondered the day's events, we were happy to hear that his doctor had called the hospital. He simply said this was not a sad turn of events but rather a happy twist of fate for Maurice. He had high blood pressure, diabetes, and failing eyesight. His wife had just passed away, and he had no children. He had been looking forward to his trip to Macomb for weeks and definitely not looking forward to his surgery. He got to see his childhood home, schools he attended, and the town he grew up in. Maurice had passed away quite suddenly from an aneurism in his back. All of that helped us look at the situation in a different light. Yet I still wonder if he knew what was going to happen on his visit to Macomb.

As unprepared for this unexpected event as we were, we soon found out that Maurice really had expected the unexpected. His attorney informed the University shortly after that Maurice had recently established a bequest in his will for approximately \$250,000 to support research activities and students in the chemistry department in perpetuity.

You know, somehow I just have to believe that unfinished conversation Maurice was having with Dr. Incera that fateful day was happily continued with and still goes on with Dr. Currens.



Brad Bainter
WIU Foundation

Foundation and
Development Office
1 University Circle
303 Sherman Hall
**WESTERN ILLINOIS
UNIVERSITY**
Macomb, Illinois 61455
(309) 298-1861/1808
FAX (309) 298-1761

